

EUROPEAN ECONOMY

COMMISSION OF THE EUROPEAN COMMUNITIES • DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS

Supplement A — No 6 — June 1988

*In this number:
Economic forecasts
for 1988 and 1989¹*

Recent economic trends

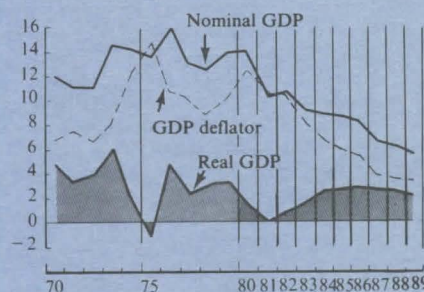
THE 1988/89 ECONOMIC SITUATION IN BRIEF

The main features of Commission services' spring economic forecasts are as follows:

- The expected slowdown has not materialized and the Community economy will continue to grow moderately in 1988 (+2,6 %) and 1989 (+2,3 %).
- Private consumption and investment will continue to underpin growth.
- Unemployment will fall only slightly (to 11,3 % in 1988 and 11,1 % in 1989).
- Inflation rates will converge at a low level (just over 3 %).
- The reduction in the external trade and payments surpluses of the Community as a whole is continuing, although the net positions of individual member countries are not satisfactory.
- World economic growth is continuing but will slow down in 1989.
- World trade is continuing to expand.
- International current account imbalances are declining slowly.

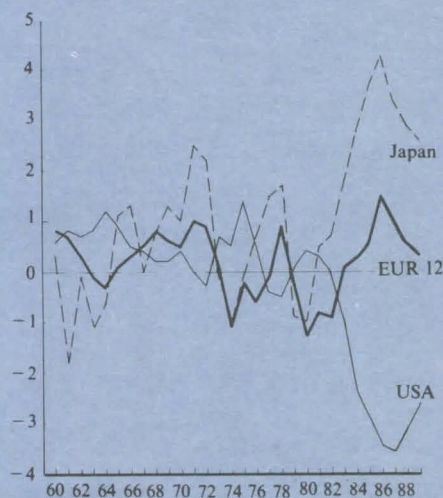
¹ This is a summary of the results of Commission services' spring forecasting exercise, based on data up to 6 June. The earlier forecasts for 1988 were summarized in Supplement A, no. 2, of February 1988.

GRAPH 1: Nominal GDP, Deflator of GDP, real GDP
(percentage change on preceding year, EC 1970-1989)¹



¹ 1988-1989: forecasts.
Source: Commission services.

GRAPH 2: Balance on current transactions with rest of the world as a percentage of GDP¹



¹ 1988-1989: forecasts.
Source: Commission services.

TABLE 1: **Gross domestic product, volume** (percentage change at constant prices on preceding year, 1961-89)

	1961-73	1974-84	1985	1986	1987	1988 ¹	1989 ¹
B	4,9	1,8	1,4	2,3	1,8	2,0	1,5
DK	4,3	1,7	4,2	3,4	-1,0	-0,1	1,4
D	4,4	1,7	2,1	2,6	1,8	2,1	1,7
GR	7,7	2,5	3,0	1,3	-0,6	1,6	1,3
E	7,2	1,7	2,3	3,3	5,2	4,3	3,8
F	5,6	2,3	1,7	2,1	2,2	2,3	2,2
IRL	4,4	3,5	1,1	-0,3	4,8	1,7	2,0
I	5,3	2,3	2,7	2,7	3,1	3,1	2,8
L	4,2	1,8	3,8	2,9	2,0	1,9	2,1
NL	4,8	1,8	2,3	2,4	2,2	1,5	2,0
P	6,9	2,2	3,3	4,3	4,6	3,6	3,3
UK	3,1	1,1	3,7	2,9	3,6	3,1	2,3
EUR	4,8	1,9	2,5	2,6	2,7	2,6	2,3
USA	4,0	2,4	3,1	3,0	2,9	3,1	1,9
JAP	9,6	3,7	4,5	2,4	4,2	4,6	3,5

¹ Forecasts.

Source: Commission services.

TABLE 2: **Final domestic demand, volume** (percentage change at constant prices on preceding year, EC countries, EC, USA, Japan, 1961-89)

	1961-73	1974-84	1985	1986	1987	1988 ¹	1989 ¹
B	4,8	1,3	1,3	3,2	2,4	1,9	1,4
DK	4,6	0,8	5,7	5,7	-3,2	-1,1	0,8
D	4,5	1,4	1,0	3,7	2,9	2,6	2,0
GR	8,2	1,8	6,1	-0,5	-1,0	2,5	1,9
E	7,7	1,0	2,9	5,9	7,9	6,1	5,0
F	5,8	2,0	2,2	3,7	3,3	2,5	2,2
IRL	5,4	2,1	-1,3	0,8	-0,4	-0,5	0,8
I	5,5	1,9	3,2	3,6	4,7	3,9	3,3
L	4,2	1,8	0,7	-0,9	3,6	2,2	2,7
NL	4,9	1,3	2,5	3,9	2,6	1,3	1,6
P	7,5	0,9	0,8	8,4	9,5	5,9	5,0
UK	3,2	1,0	2,9	3,8	4,2	4,5	3,1
EUR	5,0	1,5	2,4	3,9	3,9	3,4	2,8
USA	4,1	2,6	3,5	3,8	2,5	2,1	1,1
JAP	9,9	2,7	3,8	4,0	5,1	5,6	4,0

¹ Forecasts.

Source: Commission services.

TABLE 3: **Rates of change of demand components** (EUR-12, 1982-89)

	Percentage change on preceding period at constant prices						
	1982-87	1988	1989	1988-I	1988-II	1989-I	1989-II
Private consumption	2,3	3,3	2,7	2,9	3,0	2,6	2,5
Government consumption	1,8	1,9	1,8	1,5	1,6	1,9	1,8
Fixed capital formation	1,3	4,8	4,0	4,5	4,7	3,0	5,1
— Construction	0,3	3,3	2,7	2,2	2,3	1,2	5,9
— Equipment	3,9	6,4	5,3	6,9	7,3	4,8	4,3
Change in stocks as % of GDP	0,3	1,0	1,0	1,0	1,0	1,0	1,0
Domestic demand	2,3	3,4	2,8	3,0	3,1	2,6	2,8
Exports of goods and services	3,5	3,5	3,7	1,3	3,4	3,8	3,7
Imports of goods and services	4,3	6,0	5,1	3,7	6,3	4,7	4,8
Gross domestic product	2,0	2,6	2,3	2,3	2,2	2,3	2,5

¹ 1988-89: Forecasts. Half-yearly figures at annual rates, seasonally adjusted (1988-I = first half of 1988 etc.).

Source: Commission services.

TABLE 4: **Deflator of gross domestic product** (percentage change on preceding year, 1961-89)

	1961-73	1974-84	1985	1986	1987	1988 ¹	1989 ¹
B	4,1	6,8	5,5	3,7	1,8	1,5	2,2
DK	7,0	9,4	5,3	4,9	5,0	4,9	4,0
D	4,3	4,3	2,2	3,1	2,1	1,3	1,8
GR	4,5	17,7	17,8	19,0	15,7	14,6	15,4
E	7,1	15,7	8,7	10,9	5,7	5,2	3,8
F	4,9	10,5	5,7	4,7	2,6	2,8	2,2
IRL	7,1	13,7	5,0	5,6	2,7	2,6	2,8
I	5,4	16,7	8,8	8,0	5,6	4,7	4,5
L	4,3	6,9	3,4	2,6	0,6	2,2	2,7
NL	6,0	5,9	1,7	0,7	-1,0	0,8	1,0
P	4,0	20,5	21,7	17,9	12,1	8,8	6,1
UK	5,1	13,0	6,0	3,5	4,4	4,8	4,9
EUR	5,1	11,1	6,1	5,5	3,9	3,6	3,5
USA	3,6	7,1	3,1	2,6	3,0	2,9	4,4
JAP	6,0	5,3	1,5	1,8	0,2	2,4	2,8

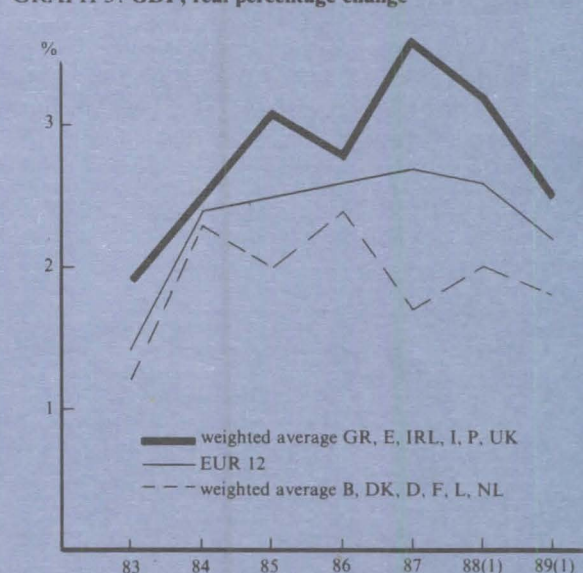
¹ Forecasts.

Source: Commission services.

Positive trend in 1987. — The overall economic trend in 1987 was more favourable than estimated a few months ago. Within the Community *GDP growing in real terms* by 2,7 %, the stable trend of the last few years continued (the highest rate of growth since 1979 being recorded) largely as a result of the buoyant situation in Spain, the United Kingdom, Ireland and Portugal. The financial turbulence in October and exchange rate developments thus appear to have had only a limited effect on the Community as a whole, at least in the short-term.

The reduction in *current account imbalances*, which had already started in 1986 as evidenced by goods flows, was appreciable in 1987: reduced surpluses in the Community and Japan; in the United States, high real rates of growth of goods exports, which were much in excess of the corresponding rates for imports.

Stable growth in 1988, slight slowdown in 1989. — The economic outlook for the Community in 1988 and 1989 is marked by moderate although relatively stable *growth of real GDP* of some 2,6 % in 1988, slowing to 2,3 % in 1989. Relatively steady

GRAPH 3: **GDP, real percentage change**¹ forecasts.

Source: Commission services.

growth is forecast in countries with low rates of growth (D, F, NL, B), while countries which have recently recorded high growth rates are expected to show a slackening trend. Growth rates in the member countries are thus converging at a low level.

Strong domestic demand: negative external contribution. — As in the last two years, growth will remain underpinned by domestic demand, while the goods and services balances will continue to make a negative contribution to growth, albeit to a lessening extent (1988: -0,8 of a percentage point; 1989: -0,5 of a percentage point). The reason for the slight slackening of growth is the somewhat reduced rate of growth of domestic demand (3,9 % in 1987, 3,4 % in 1988 and 2,8 % in 1989).

Private consumption will also make an important contribution to growth in 1988 and 1989 (+3,3 % and 2,7 % respectively in real terms). With relatively moderate wage growth rates, it will be bolstered in some countries in 1988 by lower taxation and a

declining savings ratio. In the recent past, the volume of private consumption has been boosted, in particular, by a declining inflation rate due to decreasing prices for imports. These positive effects of the wealth gains brought about by the improved terms of trade will peter out, with the result that private consumption will increasingly depend on the trend of nominal incomes.

In contrast to the period 1983-85, the rate of growth of investment will again exceed that of GDP in 1988 and 1989 (+4,8 % and 4,0 % respectively). In addition to a relatively stable rate of growth of construction investment (+3,3 % and 2,7 % respectively), equipment expenditure in particular will show relatively high growth rates (+6,4 % and 5,3 % respectively). This forecast is currently supported by the high level of capacity utilization in manufacturing industries.

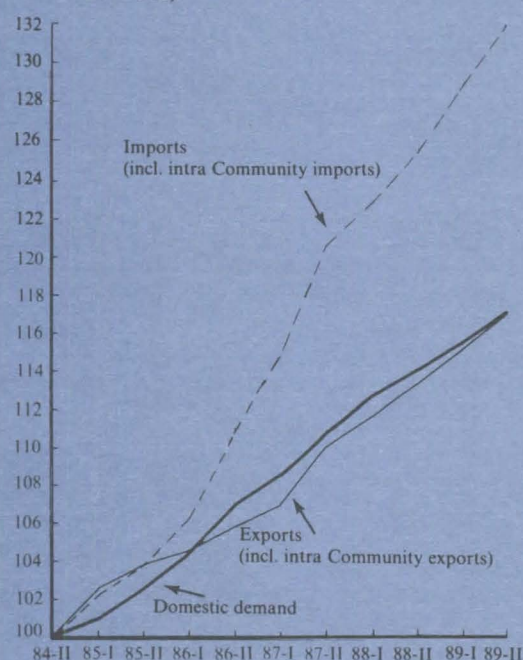
In 1986 and 1987 growth was boosted by more than a quarter percentage point by a relatively high level of stockbuilding. This is not expected to be repeated in 1988 and 1989. Firms can be expected to regard the current level of stocks as adequate but not excessive, with the result that stock levels will keep pace with the growth in production.

Under the impact of the consolidation policy, real public consumption is continuing to grow at a slower rate than real GDP.

Slight fall in unemployment. — In 1988 and 1989 the number of persons gainfully employed in the Community will increase further by 0,8 % and 0,6 % respectively. However, the activity rate will continue to increase. As a consequence only a slight reduction will occur in the unemployment rate, which will fall to 11,3 % and 11,1 % respectively (compared with 11,7 % in 1987).

Moderate inflation. — Following the less rapid rise in consumer prices in recent years, 1988 and 1989 are expected to see a stable and — for the Community — a historically very low inflation rate of just over 3 %. In countries with a high level of stability

GRAPH 4: Domestic and external demand, EUR 12, volumes (84-II = 100)



¹ 1988-1989: forecasts.

Source: Commission services.

TABLE 5: Demand components at constant prices (percentage change on preceding year, EC countries, 1961-88)

		1961-73	1974-84	1985	1986	1987	1988 ¹	1989 ¹
B³	Private consumption	4,3	1,9	1,8	2,5	2,5	1,9	1,6
	Government consumption	5,5	2,2	1,9	0,7	-0,7	-0,3	-0,3
	Fixed capital formation	5,1	-0,8	1,0	6,5	5,2	4,3	2,1
	— Construction	—	-2,8	-0,3	2,0	3,0	2,9	1,5
	— Equipment	—	-2,9	-0,7	10,8	7,9	5,9	2,8
	Exports of goods and services	9,4	3,2	1,1	5,7	4,4	4,4	3,8
	Imports of goods and services	9,0	2,3	0,8	7,3	5,3	4,4	3,6
	GDP	4,9	1,8	1,4	2,3	1,8	2,0	1,5
DK³	Private consumption	3,8	1,1	5,3	4,2	-1,0	-1,1	1,0
	Government consumption	5,8	3,0	2,5	-0,7	1,6	0,5	0,3
	Fixed capital formation	6,5	-2,2	11,9	16,8	-9,0	-2,9	0,7
	— Construction	—	-4,6	7,7	19,3	-1,0	-2,9	-1,4
	— Equipment	—	-2,2	15,4	14,8	-18,0	-3,0	3,5
	Exports of goods and services	6,4	3,9	4,2	0,2	4,9	3,0	3,4
	Imports of goods and services	7,1	1,1	8,6	6,5	-1,3	0,3	1,9
	GDP	4,3	1,7	4,2	3,4	-1,0	-0,1	1,4
D³	Private consumption	5,0	2,2	1,9	4,1	3,1	3,0	2,2
	Government consumption	3,8	1,5	1,7	2,1	1,6	1,4	1,3
	Fixed capital formation	4,0	-0,1	0,1	3,1	1,8	2,3	1,8
	— Construction	—	-0,8	-5,7	2,5	0,1	2,5	1,2
	— Equipment	—	1,4	10,0	4,3	4,0	2,0	2,6
	Exports of goods and services	7,7	4,3	7,6	-0,7	0,3	2,4	2,8
	Imports of goods and services	8,8	3,3	4,6	2,7	4,2	4,4	3,9
	GDP	4,4	1,7	2,1	2,6	1,8	2,1	1,7
GR²	Private consumption	6,7	2,7	3,8	0,8	-0,4	0,7	1,2
	Government consumption	6,2	5,4	2,8	0,0	1,3	5,0	3,0
	Fixed capital formation	10,0	-2,2	5,1	-4,8	-2,2	5,3	3,8
	— Construction	—	-3,7	2,9	-3,3	-3,2	3,8	3,1
	— Equipment	—	0,1	7,6	-6,5	-1,1	7,0	4,5
	Exports of goods and services	12,6	6,1	1,3	14,1	7,5	0,8	2,0
	Imports of goods and services	12,7	2,2	12,8	3,6	3,4	4,5	4,0
	GDP	7,7	2,5	3,0	1,3	-0,6	1,6	1,3
E³	Private consumption	7,2	1,5	2,2	3,5	5,1	4,6	4,2
	Government consumption	4,5	4,8	4,6	5,1	9,0	6,3	4,6
	Fixed capital formation	10,4	-1,6	3,8	7,9	13,8	11,3	8,9
	— Construction	—	-1,8	1,9	6,5	10,5	8,7	6,7
	— Equipment	—	-1,0	+7,7	10,2	19,0	15,0	12,0
	Exports of goods and services	11,8	6,2	2,7	1,5	7,3	6,4	5,9
	Imports of goods and services	17,2	2,0	6,2	15,4	21,7	14,3	10,8
	GDP	7,2	1,7	2,3	3,3	5,2	4,3	3,8
F³	Private consumption	5,5	2,8	2,4	3,4	2,3	2,2	1,8
	Government consumption	3,9	3,1	3,2	2,7	3,0	2,0	2,0
	Fixed capital formation	7,6	-0,1	1,1	3,0	3,6	4,2	3,5
	— Construction	—	-0,8	-0,9	1,9	2,4	2,2	2,5
	— Equipment	—	1,1	4,6	3,8	4,5	5,8	4,4
	Exports of goods and services	9,4	5,1	2,1	-0,6	1,6	3,3	3,9
	Imports of goods and services	10,9	3,2	4,7	6,6	6,4	4,3	3,6
	GDP	5,6	2,3	1,7	2,1	2,2	2,3	2,2
IRL³	Private consumption	4,1	1,4	1,1	2,1	0,2	0,7	1,2
	Government consumption	5,0	3,8	-0,3	3,2	-2,7	-4,0	-2,4
	Fixed capital formation	10,0	1,9	-4,4	-3,5	0,2	-0,9	2,2
	— Construction	—	-0,2	-7,5	-5,3	-7,1	-8,5	0,0
	— Equipment	—	3,5	4,9	0,3	6,5	4,8	3,6
	Exports of goods and services	7,6	8,0	6,7	2,7	13,5	8,6	7,0
	Imports of goods and services	9,2	4,5	2,8	4,3	5,7	6,0	5,8
	GDP	4,4	3,5	1,1	-0,3	4,8	1,7	2,0
I³	Private consumption	5,9	2,1	2,9	3,9	4,3	4,0	3,3
	Government consumption	4,1	2,5	3,4	2,8	3,4	2,0	2,5
	Fixed capital formation	4,3	0,1	3,3	1,2	5,2	4,0	3,4
	— Construction	—	-0,8	-0,4	-0,6	-1,3	1,0	1,5
	— Equipment	—	1,9	11,4	5,0	11,5	6,5	5,0
	Exports of goods and services	10,2	5,7	3,7	1,4	3,6	4,0	4,0
	Imports of goods and services	10,5	3,5	5,4	4,9	10,0	7,0	6,0
	GDP	5,3	2,3	2,7	2,7	3,1	3,1	2,8
L³	Private consumption	4,6	2,5	1,7	3,3	4,0	2,6	3,5
	Government consumption	4,0	2,4	1,3	1,8	2,0	1,5	1,5
	Fixed capital formation	5,1	-2,0	-3,7	15,8	4,3	1,6	1,7
	— Construction	—	-3,0	—	—	4,6	3,4	1,6
	— Equipment	—	-0,9	—	—	3,9	-1,4	1,8
	Exports of goods and services	6,1	2,6	9,2	4,2	1,7	3,4	2,7
	Imports of goods and services	6,3	2,6	6,2	0,5	3,3	3,8	3,3
	GDP	4,2	1,8	3,8	2,9	2,0	1,9	2,1
NL³	Private consumption	5,6	2,0	1,9	3,1	3,2	1,5	1,9
	Government consumption	2,8	2,2	1,3	1,8	0,7	0,5	0,7
	Fixed capital formation	5,3	-0,9	5,2	7,2	3,3	1,3	1,6
	— Construction	-2,4	-2,0	-3,5	4,1	4,5	2,0	-0,1
	— Equipment	—	1,3	17,4	9,8	2,0	0,4	3,5
	Exports of goods and services	9,0	2,9	5,4	0,7	5,1	3,3	4,2
	Imports of goods and services	9,2	2,1	5,9	3,2	5,9	3,0	3,6
	GDP	4,8	1,8	2,3	2,4	2,2	1,5	2,0
P⁴	Private consumption	6,5	1,3	1,0	7,0	6,8	4,8	3,4
	Government consumption	8,3	6,5	1,7	1,0	2,5	2,0	2,0
	Fixed capital formation	7,8	-1,3	-3,0	9,5	19,5	11,5	9,8
	— Construction	—	—	—	—	10,5	8,0	7,5
	— Equipment	—	—	—	—	30,0	15,0	12,0
	Exports of goods and services	9,6	4,1	11,0	7,0	10,5	6,7	5,7
	Imports of goods and services	10,6	0,4	3,9	17,2	23,9	12,0	9,2
	GDP	6,9	2,2	3,3	4,3	4,6	3,6	3,3
UK³	Private consumption	2,9	1,3	3,7	5,8	5,2	4,5	3,1
	Government consumption	2,5	1,5	-0,1	0,9	1,2	1,4	1,2
	Fixed capital formation	4,6	0,3	3,1	0,3	3,5	7,6	5,4
	— Construction	—	-0,6	-3,3	3,7	3,3	5,6	4,3
	— Equipment	—	1,4	7,8	-3,9	3,8	9,9	6,7
	Exports of goods and services	5,1	3,0	5,5	3,2	5,6	2,7	3,1
	Imports of goods and services	5,1	2,4	2,7	6,2	7,6	7,3	5,8
	GDP	3,1	1,1	3,7	2,9	3,6	3,1	2,3

¹ Forecasts.

² 1970 prices.

³ 1980 prices.

⁴ 1985 prices.

Source: Commission services.

TABLE 6: Total employment (percentage change on preceding year, 1961-89)

	1961-73	1974-84	1985	1986	1987	1988 ¹	1989 ¹
B	0,6	-0,4	0,8	1,0	0,3	1,0	0,2
DK	1,1	0,4	2,9	2,3	1,1	0,2	0,3
D	0,2	-0,5	0,7	1,0	0,7	0,4	0,6
GR	-0,5	1,0	1,0	0,1	-1,0	0,8	0,7
E	0,8	-1,6	-1,0	2,0	3,0	2,6	1,9
F	0,7	0,0	-0,4	0,3	0,0	0,0	0,0
IRL	0,1	0,3	-2,2	-0,4	-0,9	-0,9	0,2
I	-0,4	0,7	1,4	0,8	0,9	0,5	0,6
L	1,1	0,4	1,4	2,6	2,7	0,7	0,8
NL	0,9	-0,3	1,3	1,8	1,4	0,5	0,6
P	-0,5	0,5	-0,3	0,0	2,7	1,5	0,9
UK	0,3	-0,4	1,6	0,4	1,7	1,5	0,7
EUR	0,3	-0,2	0,7	0,8	1,0	0,8	0,6
USA	1,9	1,8	2,3	1,6	2,6	2,4	1,2
JAP	1,3	0,7	0,7	0,8	1,0	1,0	0,8

¹ Forecasts.

Source: Commission services.

TABLE 7: Employment in manufacturing industries (percentage change on preceding year)

	1972-83	1984	1985	1986	1987	1988 ¹	1989 ¹
B	-2,9	-1,0	-1,3	-1,4	-1,3	-0,7	-0,9
DK	-1,5	5,1	6,8	2,2	-1,4	-1,6	-0,7
D	-1,7	-1,0	1,0	1,5	-0,5	-0,7	-0,5
GR	—	-2,4	-0,6	0,0	-1,5	0,8	0,7
E	—	-2,6	-2,1	1,6	2,5	1,5	1,3
F	-1,1	-2,8	-3,1	-2,3	-2,4	-2,5	-1,5
IRL	0,4	-4,1	-2,8	0,5	-0,5	-0,5	1,0
I	-0,3	-3,6	-2,0	-0,9	-1,4	-0,8	0,0
L	-1,5	-1,8	-0,3	1,6	-0,3	-0,8	-0,8
NL	-2,5	-1,1	1,6	1,6	0,8	0,0	0,7
P	—	—	-0,5	0,4	4,9	1,4	0,9
UK	-3,0	-1,9	-0,7	-2,1	-1,1	-0,7	-0,2
EUR	-1,7 ²	-2,1	-0,7	-0,3	-0,6	-0,7	-0,2

¹ Forecasts.² EUR-9.

Source: Commission services.

TABLE 8: Number of unemployed as percentage of civilian labour force (1961-89)

	1961-73	1974-84	1985	1986	1987	1988 ¹	1989 ¹
B	2,2	9,1	13,6	12,6	12,3	11,6	11,3
DK	1,1	6,9	8,7	7,4	7,6	7,9	8,2
D	0,8	4,9	8,4	8,1	8,1	8,2	8,3
GR	—	1,1	7,8	7,4	7,4	7,6	7,6
E	—	8,7	19,5	21,0	20,5	20,0	19,8
F	1,1	6,2	10,5	10,7	10,9	11,1	11,2
IRL	4,8	10,1	17,9	18,2	19,2	18,7	18,5
I	5,2	7,5	12,9	13,7	14,2	14,3	14,0
L	0,0	0,8	1,7	1,4	1,6	1,4	1,3
NL	1,3	7,9	13,3	12,1	11,5	11,1	10,6
P	—	5,3	7,7	8,7	7,2	6,7	6,6
UK	2,1	6,8	12,0	12,0	10,8	9,0	8,3
EUR-12	—	6,5	11,6	11,9	11,7	11,3	11,1
EUR-9	2,2	6,1	11,1	11,1	10,9	10,6	10,4
USA	4,9	7,5	7,2	7,0	6,2	5,5	5,7
JAP	1,3	2,2	2,6	2,8	2,8	2,6	2,8

¹ Forecasts.

Source: Commission services.

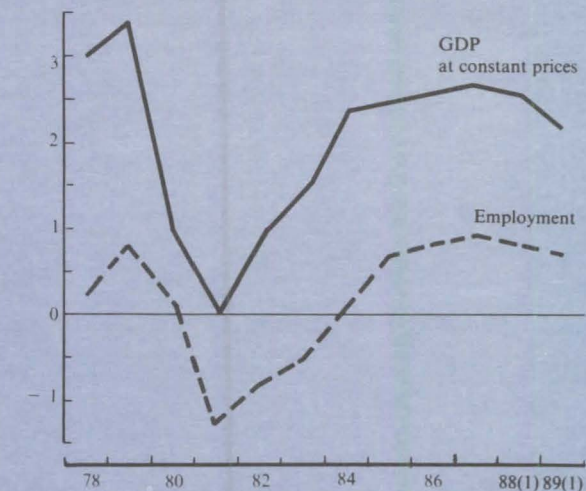
TABLE 9: Deflator of private consumption (percentage change on preceding year, 1961-89)

	1961-73	1974-84	1985	1986	1987	1988 ¹	1989 ¹
B	3,7	7,5	5,2	0,8	1,6	1,4	2,1
DK	6,6	10,1	4,9	3,6	4,1	4,8	4,3
D	3,6	4,6	2,1	-0,2	0,6	1,0	1,7
GR	3,5	17,5	18,7	22,2	16,0	14,1	15,2
E	6,6	16,1	8,3	8,7	5,3	4,3	3,7
F	4,7	10,8	5,7	2,5	3,2	2,7	2,4
IRL	6,0	15,0	4,5	3,6	3,0	2,5	3,0
I	4,8	16,6	9,3	6,1	4,8	4,8	4,5
L	3,0	7,8	5,2	0,6	0,6	1,7	1,9
NL	5,0	6,0	2,5	0,2	0,0	0,8	1,3
P	3,4	22,6	19,0	12,0	10,2	7,8	5,6
UK	4,8	12,6	5,2	3,6	3,3	3,4	3,9
EUR	4,6	11,3	5,9	3,6	3,3	3,2	3,3
USA	3,1	7,3	3,1	2,1	4,0	4,0	5,0
JAP	6,2	6,7	2,1	0,6	-0,2	2,0	2,5

¹ Forecasts.

Source: Commission services.

GRAPH 5: GDP and employment growth in the Community, EUR-12, annual percentage growth rate

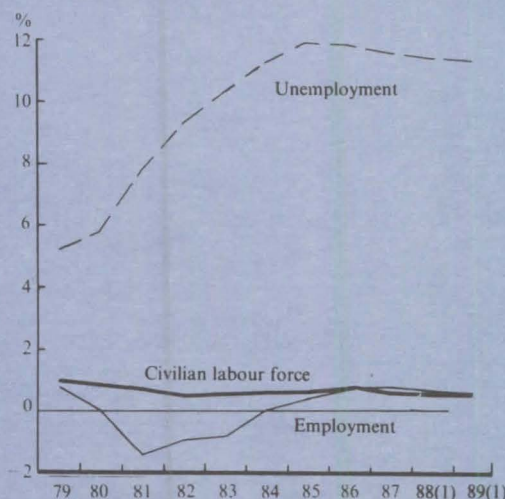


Source: Commission services.

(e.g. D, B, NL) prices are returning to a normal pattern, while in others (with the exception of Greece) the high inflation rate are falling, with the result that there will be greater convergence of price trends at a low level. The same basic pattern applies to GDP prices.

Wage rises slow down. — Per capita wages and salaries will rise less rapidly in 1988 (+5%) and 1989 (+4,7%) than in 1987 (+5,6%). This will mean that, while the rate of inflation remains relatively stable, the rise in real wages of approximately 1 1/2% will remain below the corresponding figure in 1987 (2,2%). With respect to the supply side, these wage developments will lead to a moderate increase in unit wage costs (a little below 3% in 1988 and 1989). *Real unit labour costs* will continue to fall slightly as they have done since 1982.

GRAPH 6: Labour force, employment and unemployment, EUR-12, annual change in % except unemployment rate

¹ Forecasts.

Source: Commission services.

External adjustment continues, but increasing imbalances in intra-Community trade. — The Community's current account surplus will fall from 1 % of GDP in 1987 to 0,6 % in 1988 and 0,3 % in 1989. In this way, the Community will help to reduce international trade and payments imbalances. The *trade surplus* (fob-fob) will also fall, from 0,9 % of GDP in 1987 to 0,5 % in 1988 and 0,2 % in 1989. The picture varies, however, from one member country to another. On the one hand, the surpluses in intra-Community trade are on the rise in those countries that already had surpluses in 1986 and 1987 (D, NL, B, IRL), whilst on the other hand, the remaining countries are experiencing correspondingly increasing deficits in intra-Community trade. For the surplus countries whose extra-Community surpluses are declining, this development leads to the stabilizing of their surpluses on total trade, while the deficits of the other countries are on the increase. As in 1986 and 1987, taking the Community as a whole, imports of goods (including intra-Community trade) will rise in real terms by between 5 and 6 % in 1988 and 1989, which is considerably above growth of exports.

Stable public borrowing requirement. — The general government borrowing requirement in the Community as a whole will mark time at the 1987 level (at around 4 % of GDP), since growth in expenditure will be in line with that of revenue.

TABLE 10: Contributions to real GDP growth¹ (EC countries and EC, 1983-89)

	1983	1984	1985	1986	1987	1988 ²	1989 ²
B Final domestic demand	-1,6	1,4	1,6	2,7	2,3	1,9	1,4
Stockbuilding	-0,7	0,7	-0,4	0,4	0,0	0,0	0,0
Foreign balance	2,4	0,1	0,2	-0,8	-0,5	0,1	0,2
DK Final domestic demand	1,7	2,9	5,5	5,1	-2,0	-1,0	0,7
Stockbuilding	-0,3	1,0	0,1	0,5	-1,3	-0,1	0,1
Foreign balance	1,1	-0,5	-1,4	-2,2	2,2	1,0	0,6
D Final domestic demand	1,7	1,5	1,4	3,4	2,4	2,5	1,9
Stockbuilding	0,6	0,4	-0,4	0,1	0,4	0,1	0,1
Foreign balance	-0,7	0,9	1,1	-0,9	-1,1	-0,5	-0,3
GR Final domestic demand	0,8	0,3	4,0	-0,5	-0,5	2,1	1,9
Stockbuilding	-1,4	1,0	0,1	0,6	-0,6	0,5	0,1
Foreign balance	-0,5	3,2	-3,6	1,9	0,5	-1,0	-0,7
E Final domestic demand	0,2	-1,0	2,8	4,5	7,6	6,5	5,6
Stockbuilding	-0,3	0,4	0,0	1,2	0,6	-0,1	-0,2
Foreign balance	1,9	2,4	-0,5	-2,4	-3,0	-2,1	-1,6
F Final domestic demand	0,2	0,4	2,3	3,2	2,7	2,6	2,2
Stockbuilding	-0,9	0,1	-0,1	0,6	0,6	0,0	0,0
Foreign balance	1,4	0,9	-0,5	-1,6	-1,1	-0,3	0,0
IRL Final domestic demand	-2,6	-1,1	-0,5	1,0	-0,4	-0,5	0,7
Stockbuilding	-0,6	1,3	-0,8	-0,2	0,0	0,1	0,0
Foreign balance	2,5	3,1	2,4	-1,1	5,2	2,1	1,3
I Final domestic demand	0,2	2,8	3,0	3,1	4,4	3,8	3,3
Stockbuilding	-0,7	1,8	0,2	0,6	0,4	0,3	0,2
Foreign balance	0,9	-1,0	-0,4	-0,9	-1,6	-0,9	-0,7
L Final domestic demand	-2,5	1,2	0,4	5,0	3,4	2,0	2,5
Stockbuilding	2,8	2,9	0,3	-5,8	0,0	0,1	0,0
Foreign balance	2,6	2,4	3,1	3,7	-1,4	-0,2	-0,5
NL Final domestic demand	1,1	1,5	2,3	3,5	2,7	1,2	1,6
Stockbuilding	0,4	0,2	0,1	0,2	-0,2	0,0	0,0
Foreign balance	-0,1	1,5	0,0	-1,4	-0,3	0,2	0,4
P Final domestic demand	-2,5	-6,6	0,2	6,7	9,0	6,3	5,2
Stockbuilding	-3,7	-0,3	0,5	0,9	0,7	0,0	0,3
Foreign balance	8,4	5,6	2,5	-4,2	-5,1	-2,8	-2,2
UK Final domestic demand	3,7	2,9	2,8	3,7	4,1	4,5	3,3
Stockbuilding	0,8	-0,2	0,1	0,0	0,1	0,0	-0,1
Foreign balance	-0,9	-0,7	0,8	-0,8	-0,6	-1,4	-0,9
EUR Final domestic demand	1,1	1,4	2,4	3,4	3,6	3,4	2,8
Stockbuilding	-0,2	0,5	0,0	0,4	0,3	0,1	0,0
Foreign balance	0,5	0,5	0,1	-1,2	-1,1	-0,8	-0,5

¹ Change as percentage of GDP of preceding period.

² Forecasts.

Source: Commission services.

TABLE 11: Compensation of employees per head (percentage change on preceding year, 1961-89)

	1961-73	1974-84	1985	1986	1987	1988 ¹	1989 ¹
B	8,9	9,8	4,8	3,8	3,3	2,0	3,2
DK	10,7	10,6	4,5	4,7	8,2	4,2	3,7
D	9,2	6,2	3,0	3,9	3,0	2,6	2,3
GR	10,2	21,9	22,6	15,7	12,5	15,5	17,6
E	14,6	18,9	9,2	7,9	7,5	6,6	6,4
F	9,9	13,7	6,6	4,0	3,4	3,5	3,4
IRL	11,3	17,5	6,4	5,1	5,5	3,4	3,2
I	11,6	18,9	10,2	7,7	8,7	6,2	6,2
L	7,4	9,7	3,8	5,0	4,1	3,5	5,0
NL	11,4	7,2	1,4	1,6	2,3	1,8	0,4
P	12,0	23,0	22,4	17,0	13,2	9,6	7,7
UK	8,3	14,4	6,7	7,3	6,7	7,4	7,0
EUR	10,0	13,3	6,8	6,0	5,6	5,0	4,7

¹ Forecasts.

Source: Commission services.

TABLE 12: Real compensation of employees per head¹ (percentage change on preceding year 1961-89)

	1961-73	1974-84	1985	1986	1987	1988 ²	1989 ²
B	5,1	2,1	-0,4	3,0	1,7	0,6	1,1
DK	3,8	0,4	-0,3	1,0	4,0	-0,6	-0,6
D	5,4	1,5	0,9	4,1	2,4	1,6	0,6
GR	6,5	3,7	3,3	-5,4	-3,1	1,2	2,1
E	7,5	2,4	0,9	-0,8	2,1	2,2	2,6
F	5,1	2,7	0,9	1,5	0,3	0,7	1,0
IRL	5,0	2,1	1,8	1,5	2,4	0,9	0,2
I	6,5	1,9	0,8	1,5	3,7	1,3	1,6
L	4,2	1,8	-1,4	4,3	3,5	1,8	3,1
NL	6,0	1,1	-1,1	1,4	2,2	1,0	-0,9
P	8,3	0,4	2,8	4,5	2,7	1,7	2,0
UK	3,3	1,6	1,4	3,6	3,3	3,8	3,0
EUR	5,1	1,9	0,9	2,3	2,2	1,7	1,4

¹ Deflated by private consumption prices.

² Forecasts.

Source: Commission services.

TABLE 13: Unit labour costs, whole economy¹ (percentage change on preceding year, 1961-89)

	1961-73	1974-84	1985	1986	1987	1988 ²	1989 ²
B	4,5	7,4	4,1	2,5	1,9	1,1	2,0
DK	7,3	9,1	3,3	3,6	10,4	4,5	2,7
D	4,8	3,8	1,6	2,3	2,0	1,1	1,2
GR	1,9	20,1	20,2	14,2	12,0	14,6	16,7
E	7,8	15,0	5,7	6,5	5,3	4,8	4,5
F	4,9	11,2	4,5	2,1	1,2	1,3	1,3
IRL	6,7	13,8	2,9	5,0	-0,3	0,7	1,4
I	5,6	17,0	8,7	5,7	5,8	3,7	4,2
L	4,1	8,1	1,4	4,7	4,7	2,2	3,6
NL	7,1	5,0	0,4	1,0	1,4	0,8	-1,0
P	4,3	20,9	18,1	12,2	11,2	7,4	5,2
UK	5,3	12,7	4,5	4,7	4,7	5,7	5,3
EUR	5,2	11,1	4,9	4,1	3,7	3,2	3,1

¹ Compensation of employees per head divided by labour productivity per head, defined as GDP in volume divided by total employment.

² Forecasts.

Source: Commission services.

TABLE 14: Real unit labour costs¹ (indices 1980 = 100)

	1961-70	1975	1979	1981	1987	1988 ²	1989 ²
B	87,5	96,9	98,9	101,0	94,5	94,2	94,0
DK	98,3	102,7	98,4	98,8	95,5	95,2	94,0
D	96,1	102,6	98,3	100,3	94,0	93,7	93,2
GR	104,4	91,7	101,8	106,5	103,9	103,8	105,1
E	99,4	102,2	101,8	100,4	87,6	87,3	87,8
F	93,8	99,2	98,8	101,2	94,1	92,7	91,9
IRL	96,2	100,3	96,7	96,5	87,6	85,9	84,7
I	94,4	105,5	101,5	102,2	99,4	98,3	98,1
L	84,1	101,7	99,5	101,7	93,6	93,6	94,5
NL	93,9	103,3	100,3	97,3	91,0	90,9	89,1
P	85,4	121,3	101,6	104,0	88,2	87,1	86,3
UK	98,3	108,2	98,2	98,7	96,1	97,0	97,3
EUR	96,8	103,8	99,5	100,5	94,8	94,5	94,1

¹ Nominal unit labour costs divided by GDP deflator.

² Forecasts.

Source: Commission services.

TABLE 15: Balance on current account (as percentage of GDP, 1961-89)

	1961-73	1974-84	1985	1986	1987	1988 ¹	1989 ¹
B	1,1	-1,6	0,7	2,5	2,0	2,1	2,1
DK	-2,0	-3,4	-4,7	-5,2	-3,0	-2,4	-2,1
D	0,7	0,6	2,4	4,2	3,9	3,3	3,1
GR	-2,9	-2,5	-8,2	-5,5	-2,1	-2,5	-3,5
E	-0,2	-1,7	1,6	1,7	0,1	-0,8	-2,1
F	0,2	-0,5	0,1	0,4	-0,3	-0,2	-0,3
IRL	-2,5	-8,4	-3,8	-2,8	1,3	2,1	2,9
I	1,5	-0,7	-0,9	0,4	-0,1	-0,3	-0,7
L	6,8	25,9	43,3	43,7	39,9	38,3	36,2
NL	0,5	1,7	4,3	2,8	1,6	1,6	1,8
P	0,4	-7,2	1,7	3,9	1,8	0,9	-0,2
UK	-0,1	-0,2	0,5	0,0	-0,4	-1,2	-1,4
EUR	0,4	-0,3	0,7	1,5	1,0	0,6	0,3
USA	0,5	-0,1	-2,9	-3,4	-3,6	-3,0	-2,5
JAP	0,5	0,6	3,7	4,3	3,6	2,9	2,5

¹ Forecasts.

Source: Commission services.

TABLE 16: Exports of goods, volume (percentage change on preceding year, 1961-89)

	1961-73	1974-84	1985	1986	1987	1988 ¹	1989 ¹
B	10,2	2,6	1,0	6,3	4,8	4,8	4,2
DK	6,8	4,8	4,6	0,1	3,0	2,8	3,2
D	8,0	4,4	7,9	-0,6	1,0	2,8	3,1
GR	—	—	-0,1	16,9	0,9	1,0	2,0
E	—	—	3,0	-3,5	7,0	6,0	5,7
F	10,3	5,0	2,0	-0,1	2,5	3,5	4,0
IRL	8,1	8,9	6,7	4,0	13,8	9,1	7,4
I	11,8	6,2	2,7	5,0	3,0	4,0	4,0
L	5,5	1,5	11,6	2,1	1,0	3,4	2,8
NL	10,3	3,1	6,0	0,8	5,9	3,5	4,5
P	—	—	—	—	10,0	6,5	5,5
UK	5,1	3,7	5,5	3,7	5,8	2,5	2,5
EUR	8,9 ²	4,3 ³	4,7	1,9	3,8	3,6	3,7
USA	6,7 ⁴	3,2	3,3	7,8	14,9	22,0	12,9
JAP	16,8 ⁴	6,7	4,0	-2,0	0,2	3,0	2,9

¹ Forecasts.² Total excluding Spain and Portugal.³ Total excluding Portugal.⁴ USA, Japan: average 1964-73.

Source: Commission services.

TABLE 17: Imports of goods, volume (percentage change on preceding year, 1961-89)

	1961-73	1974-84	1985	1986	1987	1988 ¹	1989 ¹
B	9,3	2,0	0,1	8,0	5,9	4,6	4,0
DK	7,9	0,9	8,4	6,5	-3,0	0,0	1,8
D	8,8	3,6	5,2	3,5	4,5	4,6	4,1
GR	—	—	28,8	4,2	3,7	4,5	4,0
E	—	—	5,8	16,9	23,2	15,0	11,0
F	11,7	3,3	4,3	6,8	6,7	4,7	4,0
IRL	9,2	4,3	3,1	4,0	4,5	6,3	6,0
I	10,4	3,5	4,4	7,5	10,0	7,0	6,0
L	6,1	2,3	6,6	0,9	3,3	3,9	3,4
NL	9,4	1,9	6,2	3,1	6,5	3,0	3,7
P	—	—	—	—	25,6	12,5	9,5
UK	5,2	2,5	3,4	6,4	7,4	7,2	5,6
EUR	9,1 ²	2,5 ³	4,9	6,5	8,0	6,2	5,3
USA	9,4 ⁴	-0,4	5,4	13,9	5,8	5,1	3,1
JAP	14,4 ⁴	-0,2	-1,9	10,6	8,9	12,5	7,3

¹ Forecasts.² Total excluding Spain and Portugal.³ Total excluding Portugal.⁴ USA, Japan: average 1964-73.

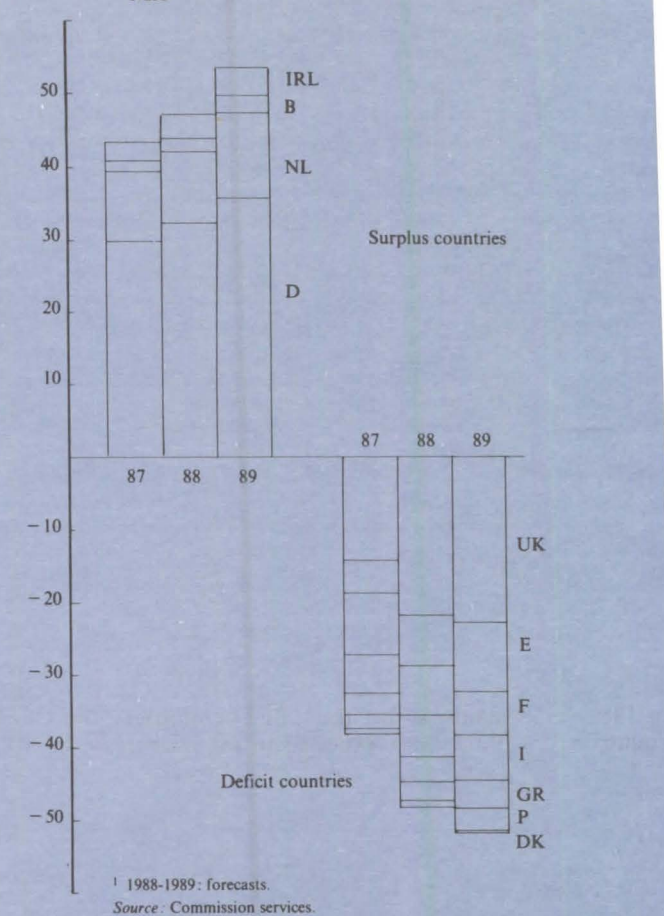
Source: Commission services.

TABLE 18: Export markets and export performance (percentage change on preceding year, 1987-89)

	Export markets			Export performance ¹		
	1987	1988 ²	1989 ²	1987	1988 ²	1989 ²
B	6,2	5,2	4,7	-1,3	-0,4	-0,5
DK	4,5	4,9	4,2	-1,4	-2,0	-1,0
D	5,9	5,6	4,9	-4,7	-2,7	-1,7
GR	4,0	4,4	4,3	-3,0	-3,2	-2,2
E	5,1	5,1	4,6	1,8	0,9	1,0
F	5,5	5,9	5,2	-2,9	-2,2	-1,2
IRL	6,3	5,6	4,8	7,0	3,3	2,5
I	5,2	5,7	4,9	-2,1	-1,6	-0,9
L ³	—	—	—	—	—	—
NL	3,7	4,5	4,1	2,1	-1,0	0,4
P	7,1	6,0	5,1	2,7	0,4	0,4
UK	4,3	5,4	5,0	1,4	-2,8	-2,3
EUR	5,3	5,5	4,9	-1,4	-1,8	-1,1
USA	6,5	7,6	6,0	7,9	13,4	6,6
JAP	6,4	8,0	6,4	-5,8	-4,6	-3,3

¹ Indices of export volume growth divided by indices of market growth (includes intra community trade).² Forecasts.³ Included in the figures for Belgium.

Source: Commission services.

GRAPH 7: Intra-EC trade balances fob/cif 1987-1989, '000 ECU Mio¹

Stable exchange rates and raw material prices. — It is forecast that, after a sharp rise on average in 1988, raw material dollar prices (excluding crude oil) will stabilize in 1989. A crude oil price of USD 16 per barrel in 1988 and USD 17 in 1989 is forecast (compared with USD 17,9 in 1987).

The Commission's forecasts are based on the technical hypothesis that exchange rates will stabilize at their current level. This leads to a moderate and stable rate of growth of exports for the Member States (approximately 3 1/2 % per year in real terms). However, this growth will be less than that of its export markets as a result of the dollar area's increased competitiveness. The four Asian NICs will continue to be markets with high import

TABLE 19: General government lending or borrowing (-) as percentage of GDP (EC countries, EC, USA, JAP, 1972-89)

	1972-83	1984	1985	1986	1987	1988 ¹	1989 ¹
B	-6,8	-9,3	-8,3	-8,9	-7,2	-7,0	-6,5
DK	-1,5	-4,1	-2,1	3,1	2,1	1,3	1,2
D	-2,4	-1,9	-1,1	-1,2	-1,7	-2,6	-2,1
GR	—	-10,1	-13,6	-10,8	-10,3	-11,8	-13,1
E	-1,6	-5,5	-7,0	-5,7	-3,6	-3,4	-3,2
F	-1,0	-2,7	-2,9	-2,9	-2,5	-2,4	-2,1
IRL	—	-9,8	-11,3	-10,9	-8,5	-6,7	-5,7
I	-8,5	-11,5	-12,3	-11,4	-10,5	-10,0	-10,4
L	1,3	2,9	5,5	7,0	5,6	6,0	5,5
NL	-3,0	-6,2	-4,7	-5,6	-5,1	-5,3	-5,1
P	—	-12,0	-10,0	-7,4	-8,1	-7,9	-7,8
UK	-3,3	-3,9	-2,8	-2,7	-1,4	-0,7	-0,7
EUR	-3,6 ²	-5,3	-5,2	-4,8	-4,1	-4,1	-4,0
USA	-1,4	-3,9	-4,3	-3,5	-2,4	-2,2	-2,0
JAP	-2,8	-2,1	-0,8	-1,5	-0,3	-0,2	-0,2

¹ Forecasts.² EUR-9.

Source: Commission services.

TABLE 20: Total public receipts (as percentage of GDP)

	1972-83	1984	1985	1986	1987	1988 ¹	1989 ¹
B	42,8	47,1	47,3	46,0	46,2	45,7	45,6
DK	50,0	56,6	57,4	58,9	59,9	60,6	60,6
D	44,5	46,1	46,4	45,5	45,0	44,5	45,0
GR	29,1	34,2	34,5	36,2	37,9	37,8	37,8
E	27,7	33,8	35,1	36,5	37,9	38,6	39,0
F	43,4	49,1	49,2	48,8	49,3	48,8	48,8
IRL	—	42,4	42,6	43,0	43,2	42,4	41,7
I	31,0	38,0	38,5	39,0	39,6	40,1	40,0
L	50,2	54,3	55,5	56,4	56,5	57,3	56,5
NL	50,7	54,5	55,1	53,3	53,9	53,2	51,8
P	—	34,4	33,1	37,7	35,2	35,3	35,0
UK	39,1	42,0	41,8	40,7	40,5	40,4	39,8
EUR	40,1 ²	43,6	43,9	43,6	43,8	43,7	43,6

¹ Forecasts.² EUR-9.

Source: Commission services.

TABLE 21: Total public expenditure (as percentage of GDP)

	1972-83	1984	1985	1986	1987	1988 ¹	1989 ¹
B	49,6	56,4	55,6	54,8	53,3	52,7	52,2
DK	51,5	60,7	59,5	55,8	57,8	59,2	59,4
D	46,9	48,0	47,5	46,7	46,7	47,1	47,1
GR	—	44,3	48,1	47,0	48,2	49,7	51,0
E	29,3	39,3	42,1	42,2	41,5	41,9	42,2
F	44,4	51,8	52,1	51,7	51,8	51,2	50,8
IRL	—	52,2	53,9	53,9	51,7	49,1	47,4
I	39,4	49,5	50,8	50,5	50,0	50,1	50,4
L	48,9	51,4	50,0	49,4	50,9	51,2	50,9
NL	53,7	60,7	59,8	58,9	59,0	58,5	57,0
P	—	46,4	43,1	45,1	43,3	43,2	42,7
UK	42,4	45,9	44,6	43,4	41,9	41,0	40,5
EUR	43,8 ²	48,9	49,1	48,4	47,9	47,8	47,6

¹ Forecasts.² EUR-9.

Source: Commission services.

growth rates, although the OPEC countries are also expected to increase their imports again (by 2 % in 1988 and 4 % in 1989) following the sharp decline in 1987.

World economic growth continues. — The economic forecast for the European Community is based on the assumption of continuing world economic growth in 1988 and (at a somewhat slower pace) in 1989. This applies both to the rates of growth of GDP/GNP and — to an even greater extent — to the increase in the volume of world trade. The expected decline in growth in 1989 could mainly affect the OECD countries. The OPEC countries, by contrast, are expected to see an increase in economic activity following a period of stagnation in 1987. Measured in terms of real goods imports, the volume of world trade will also expand sharply in 1988 and 1989 (by the order of 5 to 6 %).

Growth slowdown in the USA in 1989. — Economic expansion will continue in the United States in 1988 and 1989, albeit with a slightly downward trend (GDP growth of 3,1 % in 1988 and 1,9 % in 1989). The main stimulus will come from foreign trade, with the growth in exports (in real terms) expected to exceed 10 % per year. Domestic demand, on the other hand, will be showing a weakening trend. After falling for years, the unemployment rate is forecast to rise again slightly in 1989 (to 5,7 % compared with 5,5 % in 1988). A rise in the inflation rate is also forecast for 1989 (consumer prices up by +5,0 % compared with rises of approximately 4 % in 1987 and 1988).

TABLE 22: World export prices¹

	Percentage change on preceding year					
	1984	1985	1986	1987	1988 ²	1989 ²
Fuels	-3,5	-2,4	-46,9	18,5	-9,2	5,3
Other primary commodities	-1,5	-10,5	5,1	7,5	13,6	1,9
Manufactures	-3,7	-1,2	17,4	13,0	7,6	3,6

¹ Based on export prices in US dollars.² Forecasts.

Source: United Nations and forecasts by Commission services.

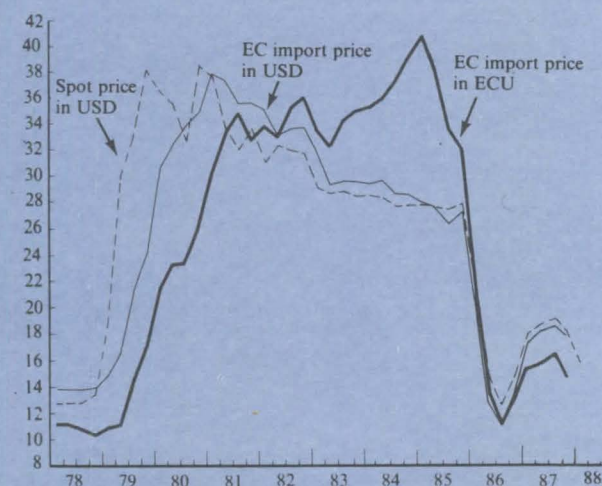
TABLE 23: Interest and exchange rates assumption

	1984	1985	1986	1987	1988 ¹	1989 ¹
Annual rates (percentage)						
Rates of interest (US)						
— Short-term ²	9,5	7,5	6,0	5,9	6,3	7,1
— Long-term ³	12,1	10,8	8,1	8,7	9,0	9,2
Change on preceding year (percentage)						
Exchange rate of USD						
— Vis-à-vis ECU ⁴	13,4	3,7	-22,7	-14,8	-6,9	-1,1
— Vis-à-vis YEN ⁴	0,0	0,1	-29,3	-14,0	-12,1	-2,6

¹ Forecasts.² 13-week US treasury bills.³ US bonds over 10 years.⁴ + (-) signifies an appreciating (depreciating) USD.

Source: Commission services.

GRAPH 8: Crude oil prices



Source: Commission services.

TABLE 24: World GDP/GNP (at constant prices)

	Percentage change on preceding year					
	1984	1985	1986	1987	1988 ¹	1989 ¹
EUR	2,1	2,4	2,6	2,7	2,6	2,3
USA	6,9	3,0	2,9	2,9	3,1	1,9
Canada	5,6	4,0	3,2	3,9	3,3	2,6
Japan	5,0	5,0	2,5	4,2	4,6	3,5
Other OECD	4,5	2,6	2,7	3,1	2,6	2,1
OECD total	4,4	3,1	2,7	3,1	3,1	2,3
OPEC	1,4	-0,4	-0,9	0,0	1,6	2,5
Other developing countries	4,7	4,5	4,6	4,3	3,9	4,3
of which: Asian NICs ²	8,7	3,6	10,2	11,8	8,0	7,5
: Other NICs ³	3,2	2,2	5,4	2,8	1,2	2,8
: Other LDCs	5,0	5,8	3,3	3,8	4,6	4,5
CPE ⁴	3,9	3,3	4,2	2,5	2,8	3,0
World	4,3	3,2	3,1	3,1	3,1	2,8
World excluding EC	5,1	3,4	3,3	3,2	3,3	2,9

¹ Forecasts.² Newly industrialized countries: Hongkong, South-Korea, Singapore, Taiwan.³ Newly industrialized countries: Argentina, Brazil, Israel, Philippines, Thailand, South-Africa, Yugoslavia.⁴ Centrally planned economies: Excluding China, which is in other LDCs.

Source: Commission services.

TABLE 25: World imports of goods (at constant prices)

	Percentage change on preceding year					
	1984	1985	1986	1987	1988 ¹	1989 ¹
EUR	7,1	5,5	6,8	8,0	6,2	5,3
USA	22,9	5,4	13,9	5,8	5,1	3,1
Canada	19,6	9,8	8,0	9,1	7,1	4,2
Japan	12,2	6,5	9,9	8,9	12,5	7,3
Other OECD	10,7	6,8	4,5	4,7	4,3	3,7
OECD total	11,8	5,9	8,5	7,2	6,4	4,7
OPEC	-8,9	-15,3	-21,1	-12,0	2,0	4,0
Other developing countries	6,7	2,9	-0,3	5,1	9,0	8,3
of which: Asian NICS ²	10,7	2,4	11,0	21,0	20,0	15,0
: Other NICS ³	-1,6	-6,9	-1,6	2,0	-1,5	2,0
: Other LDCS	7,8	7,4	-7,2	-6,0	2,5	3,0
CPE ⁴	4,7	3,0	-2,0	-6,0	1,0	2,5
World	9,0	3,9	5,0	5,6	6,5	5,2
World (excluding EUR)	10,2	3,0	3,9	4,2	6,6	5,2

¹ Forecasts.² Newly industrialized countries: Hongkong, South-Korea, Singapore, Taiwan.³ Newly industrialized countries: Argentina, Brazil, Israel, Philippines, Thailand, South-Africa, Yugoslavia.⁴ Centrally planned economies: Excluding China, which is in other LDCS. (Excluding intra-Comecon trade).

Source: Commission services.

TABLE 26: World trade balances fob-fob
(in billions of US dollars)

	1984	1985	1986	1987	1988 ¹	1989 ¹
EUR	1,8	9,9	45,0	38,8	26,6	12,2
USA	-112,5	-124,4	-142,6	-153,7	-129,1	-110,2
Canada	16,7	13,3	7,5	6,0	5,5	6,8
Japan	44,3	56,0	92,7	96,4	94,6	90,8
Other OECD	-0,4	-2,1	-9,8	-7,1	-10,8	-13,5
OECD Total	-50,1	-47,3	-7,1	-19,7	-13,3	-13,9
OPEC	55,2	57,0	10,0	35,4	25,5	29,4
Other developing countries	-0,4	-5,3	3,2	18,8	18,9	15,0
of which: Asian NICS ²	2,9	7,9	17,5	21,9	21,6	19,0
: Other NICS ³	13,4	18,6	16,1	15,0	18,7	19,6
: Other LDCS	-16,7	-31,8	-30,4	-18,1	-21,3	-23,6
CPE ⁴	15,8	9,1	13,9	11,2	9,4	10,4
Errors and omissions	20,4	13,5	20,0	45,7	40,5	40,9

¹ Forecasts.² Newly industrialized countries: Hongkong, South-Korea, Singapore, Taiwan.³ Newly industrialized countries: Argentina, Brazil, Israel, Philippines, Thailand, South-Africa, Yugoslavia.⁴ Centrally planned economies: Excluding China, which is in other LDCS. (Excluding intra-Comecon trade).

Source: Commission services.

TABLE 27: Trade balances (fob-fob) EC, USA and Japan

	1985	1986	1987	1988 ¹	1989 ¹
in % of GDP					
EUR	-0,4	1,3	0,9	0,5	0,2
USA	-3,0	-3,4	-3,4	-2,7	-2,2
Japan	4,2	4,7	4,0	3,2	2,9
in billions of US dollars					
EUR	9,9	45,0	38,0	26,6	12,2
USA	-124,4	-142,6	-153,7	-129,1	-110,2
Japan	56,0	92,7	96,4	94,6	90,8
in billions of ECU					
EUR	13,0	45,8	33,6	21,5	9,7
USA	-163,8	-145,2	-133,3	-104,2	-87,9
Japan	73,8	94,4	83,6	76,3	72,4

¹ Forecast.

Source: Commission services.

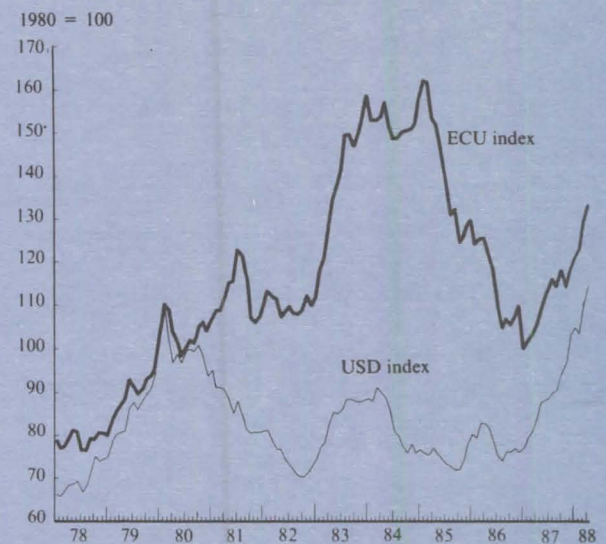
TABLE 28: World balances of current account
(in billions of US dollars)

	1984	1985	1986	1987	1988 ¹	1989 ¹
EUR	-2,9	14,0	52,6	43,7	30,1	17,4
USA	-107,8	-117,7	-133,7	-160,7	-142,9	-126,4
Canada	4,2	-1,0	-6,7	-8,7	-11,1	-11,0
Japan	35,1	49,2	85,7	86,6	84,1	79,8
Other OECD	-4,0	-4,3	-12,5	-9,4	-12,4	-14,9
OECD Total	-75,4	-59,7	-14,5	-48,6	-52,3	-55,1
OPEC	-7,1	3,4	-26,1	-4,1	-17,0	-15,6
Other developing countries	-30,4	-26,0	-9,3	7,8	7,9	5,8
of which: Asian NICS ²	-7,1	1,0	21,5	29,9	30,6	29,0
: Other NICS ³	3,4	11,7	0,6	-4,0	1,2	4,1
: Other LDCS	-26,7	-38,7	-31,4	-18,1	-23,8	-27,3
CPE ⁴	10,9	5,2	10,4	6,6	5,8	6,4
Errors and omissions	-102,0	-77,1	-39,5	-38,2	-55,6	-58,5

¹ Forecasts.² Newly industrialized countries: Hongkong, South-Korea, Singapore, Taiwan.³ Newly industrialized countries: Argentina, Brazil, Israel, Philippines, Thailand, South-Africa, Yugoslavia.⁴ Centrally planned economies: Excluding China, which is in other LDCS. (Excluding intra-Comecon trade).

Source: Commission services.

GRAPH 9: Non-oil commodity price indices in ECU's and US dollars

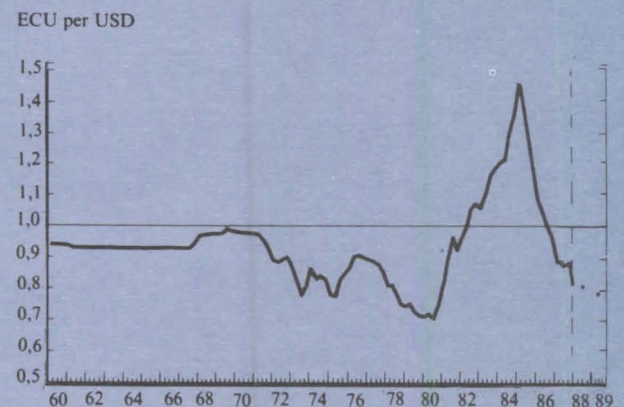


Source: Commission services.

The general government borrowing requirement will continue to fall slowly, from 2,4 % of GDP in 1987 to 2,2 in 1988 and 2,0 % in 1989.

Strong domestic demand in Japan. — The situation in Japan will be similar to that in the Community: while growth (4,6 % in 1988 and 3,5 % in 1989) will be underpinned by domestic demand, the contribution of net exports will be negative. Compared with the Community, however, domestic demand is showing a considerably more buoyant trend (growth of between 4 % and 5 1/2 % a year).

Slow reduction of world external imbalances. — The reduction in the external trade and payments imbalances between the Community, the United States and Japan will continue in 1988 and 1989. This applies to both the trade and current account balances. The United States current account deficit could fall between 1987 and 1989 by around USD 30 000 million (to less than USD 130 000 million in 1989), largely because of strong

GRAPH 10: ECU/USD exchange rate (quarterly averages)¹¹ 1988-1989: forecasts (yearly averages).

Source: Commission services.

growth in United States exports. The Community may see its surplus fall by some USD 26 000 million to approximately USD 17 000 million in 1989. The Japanese surplus, however, may well remain unchanged at a level exceeding USD 80 000 million. The imbalance between the NICs on the one hand (with stable trade surpluses) and the other developing countries on the other (rising deficits) will widen. Over the period covered by the forecast, the NICs' surpluses are expected to continue at a level in excess of USD 30 000 million per year.

The dangers for the world economy. — This forecast has been made under the assumption of stable exchange rates. On this basis, the Community should be able to stabilize the growth rate of its exports in volume and diminish the external constraint on growth just when internal demand slows down. On the other hand, however, exchange rate stability implies a slower speed of adjustment worldwide of current account imbalances.

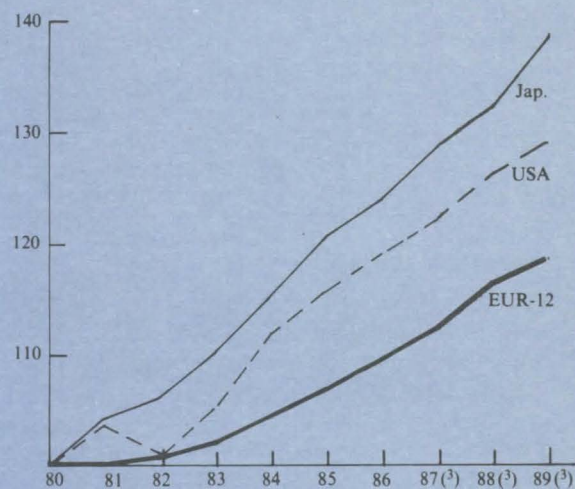
However, should exchange rates change fundamentally, under the influence of these persisting imbalances, in particular through a further dollar depreciation, the adjustment process would certainly accelerate. In that case the external contribution to growth in the Community (and in Japan) would become even more negative and lead to a further slowdown of growth. This might in turn affect the growth prospects of the non-OECD countries which are still showing stable rates of growth.

The forecast also shows growing external trade imbalances between the Community member countries.

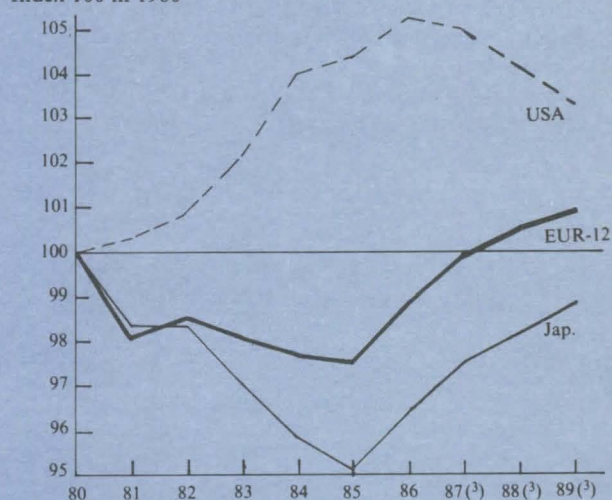
Overall, there is no danger of a worldwide upsurge in inflation. However, a rise in the rate of price increases must be expected in some countries (e.g. the United States and the United Kingdom). A possible danger for the future may lie in the sharp accumulation of liquidity (particularly through exchange rate support by central banks).

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GRAPH 11: GDP/GNP¹ (in volume) EUR-12, USA, Japan
Index 100 in 1980



GRAPH 12: Growth gap between domestic demand and GDP/ GNP¹ (volume)²
Index 100 in 1980



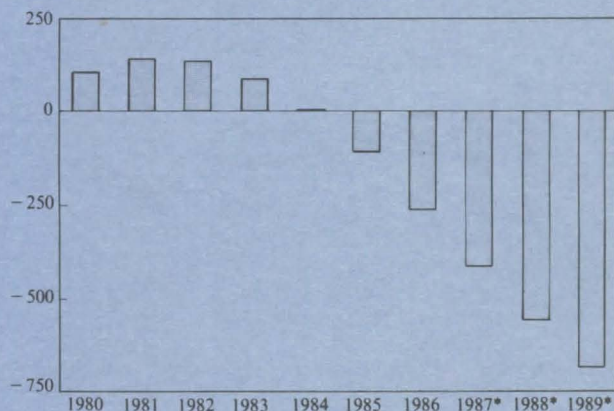
¹ EUR-12 GDP, USA and Japan GNP.

² Index domestic demand/Index GDP, GNP. A figure more than 100 denotes a more rapid growth in domestic demand than GDP/GNP and corresponds to a deterioration of the real external balance.

³ Forecasts.

Source: Eurostat and Commission services.

GRAPH 13: US net international assets/liabilities (at end-year, USD billion)



* Forecasts of the Commission services, assuming net position at end-year 1986 deteriorates by cumulative forecast current deficit.

Source: U.S. Dept. of Commerce and Commission services.

TABLE A.1: Industrial production (a) — Percentage change on preceding period (s.a.)

	1983	1984	1985	1986	1987	1987				1988				1987				1988			Change over 12 months %(b)
						I	II	III	IV	I	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mars				
B	2.0	2.5	2.5	0.8	1.1	0.3	2.6	-1.0	0.4	:	1.0	3.0	-3.5	-0.9	9.2	-7.1	:	:	:	-0.8	
DK	3.2	9.7	4.2	4.2	-3.1	-3.0	-1.6	0.9	0.4	:	2.0	-4.4	4.4	4.3	-6.1	3.2	:	:	:	1.7	
D	0.7	3.2	5.3	1.9	0.2	-0.5	1.3	0.3	0.7	0.5	-0.9	0.6	0.2	-0.3	-0.3	1.3	-1.1	:	:	3.8	
GR	-0.1	1.6	3.4	-0.2	-1.7	-1.2	-1.3	-0.3	2.4	:	3.6	-3.2	4.1	2.8	0.8	1.8	:	:	:	3.5	
E	2.7	0.8	2.0	3.1	5.0	-0.6	2.6	2.3	0.6	-0.7	6.6	-1.2	3.1	-2.8	-4.5	5.3	3.7	:	:	6.7	
F	0.0	2.0	1.0	1.0	1.0	-0.3	2.3	0.6	1.0	0.6	1.0	0.0	0.0	1.0	0.0	0.0	0.0	:	:	5.4	
IRL	7.9	9.9	3.5	3.2	9.7	-0.5	8.8	0.4	4.1	:	-1.7	3.3	2.8	-5.6	9.0	-4.5	:	:	:	11.1	
I	-3.2	3.4	1.2	2.8	3.9	-0.4	1.8	-0.8	2.2	2.4	1.2	2.5	-0.7	-0.5	5.1	-2.6	-1.1	:	:	6.1	
L	5.4	13.3	6.9	2.8	0.8	-1.3	3.8	-2.1	5.7	:	2.6	6.8	-6.0	7.4	:	:	:	:	:	16.1	
NL	3.2	4.1	3.9	0.0	0.9	3.5	-3.4	-0.6	2.5	-2.8	-2.8	3.9	3.7	-5.4	0.0	0.0	-1.0	:	:	-6.8	
P	1.6	-0.1	10.9	5.7	2.4	-3.6	4.2	0.6	-1.4	:	5.5	-3.9	2.1	1.9	3.6	:	:	:	:	8.0	
UK	3.6	1.4	4.6	1.5	3.1	0.7	0.8	1.6	0.7	-0.8	-1.1	0.8	0.2	0.3	-0.1	-2.1	1.2	:	:	1.3	
EUR 12	0.9	2.3	3.3	1.9	2.0	-0.5	1.5	0.1	1.4	0.5	1.2	0.9	0.4	-0.3	(0.6)	(-0.7)	(1.1)	:	:	(2.9)	
USA	7.8	12.3	2.1	2.1	4.3	0.9	1.2	1.9	1.7	:	-0.2	1.2	0.4	0.7	(0.2)	(0.1)	:	:	:	(5.7)	
JAP	3.0	9.4	3.7	-0.2	3.0	0.6	-0.2	3.6	3.8	3.3	3.0	1.7	-0.5	2.0	(0.6)	(2.2)	(0.4)	:	:	(11.0)	

TABLE A.2: Unemployment rate — Number of unemployed (f) as percentage of civilian labour force (s.a.)

	1983	1984	1985	1986	1987	1987				1988	1987			1988				Change over 12 months %(b)
						I	II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March	Avril	
B (g)	14.3	14.4	13.6	12.5	12.2	12.4	12.4	12.2	11.9	11.6	12.0	11.9	11.8	11.7	11.6	11.5	11.5	-8.1
DK	10.1	9.9	8.7	7.4	7.5	7.5	7.5	7.5	7.5	(7.7)	7.3	7.5	7.6	7.4	(7.7)	(8.0)	8.2	(9.5)
D	8.4	8.4	8.4	8.1	8.1	8.0	8.0	8.1	8.1	8.1	8.1	8.1	8.2	8.0	8.0	8.2	8.2	2.1
GR	1.6	1.8	2.2	2.8	2.9	2.9	2.9	2.9	2.8	2.8	2.7	2.7	2.8	2.7	2.8	2.9	2.7	-4.4
E	16.5	18.4	19.5	20.0	20.9	20.7	20.8	20.9	21.1	20.9	21.0	21.0	21.1	21.1	20.9	20.7	20.6	-0.2
F	8.9	10.0	10.5	10.7	11.2	11.3	11.3	11.3	11.1	11.0	11.1	11.0	11.1	11.1	11.1	10.9	10.9	-4.4
IRL	14.9	16.6	17.9	18.3	19.2	19.0	19.4	19.4	19.1	19.0	19.2	19.1	19.1	19.0	19.0	18.8	18.8	-3.6
I	11.0	12.0	12.9	13.7	14.0	13.9	13.6	14.2	14.2	14.7	14.1	14.1	14.4	14.5	14.7	14.9	15.2	15.3
L	1.6	1.8	1.7	1.5	1.7	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	-3.7
NL (g)	(14.2)	14.5	13.3	12.4	11.9	12.0	11.9	11.9	11.9	11.9	12.0	11.9	12.0	11.9	11.9	12.0	12.0	-0.6
P	5.6	6.7	7.7	8.3	7.1	8.2	7.2	6.5	6.6	6.8	6.5	6.6	6.7	6.8	6.8	6.8	6.7	-8.5
UK	(11.6)	11.8	12.0	12.0	10.7	11.5	11.1	10.5	9.9	9.4	10.1	9.8	9.8	9.5	9.4	9.3	9.1	-18.4
EUR 12	(10.6)	11.2	11.6	11.7	11.6	11.8	11.6	11.6	11.5	(11.4)	11.5	11.4	11.5	11.4	(11.4)	(11.4)	(11.4)	(-1.4)
USA	9.6	7.5	7.2	7.0	6.2	6.6	6.2	6.0	5.9	5.7	6.0	5.9	5.8	5.8	5.7	5.7	5.6	-12.7
JAP (h)	2.7	2.7	2.6	2.8	2.8	2.9	3.0	2.8	2.7	:	2.7	2.7	2.6	2.7	2.7	:	:	-6.2

TABLE A.3: Consumer price index — Percentage change on preceding period

						1987				1988				1987				1988				Change over 12 months %(b)
	1983	1984	1985	1986	1987	I	II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March	Avril					
B	7.7	6.3	4.9	1.3	1.6	0.6	0.7	0.6	-0.3	0.0	-0.1	-0.3	0.0	-0.1	0.3	0.0	0.4	:	:	:	1.0	
DK	6.9	6.3	4.7	3.6	4.0	0.5	1.6	0.7	1.2	1.2	0.4	0.3	0.1	0.4	0.8	0.4	(0.4)	:	:	:	(4.7)	
D	3.3	2.4	2.2	-0.2	0.2	0.6	0.4	0.0	0.0	0.5	0.2	0.0	0.2	0.2	0.2	0.1	0.2	:	:	:	1.0	
GR	20.2	18.4	19.3	23.0	16.4	3.2	5.6	0.4	5.4	1.6	3.1	0.7	1.2	-0.2	-0.5	3.0	2.0	:	:	:	13.0	
E	12.2	11.2	7.8	8.8	5.3	1.4	0.7	1.3	1.2	1.2	0.6	-0.2	0.4	0.6	0.3	0.7	-0.4	:	:	:	3.9	
F	9.6	7.3	5.9	2.7	3.1	1.2	0.9	0.6	0.5	0.5	0.2	0.1	0.1	0.2	0.2	0.3	0.5	:	:	:	2.5	
IRL (i)	10.4	8.6	5.4	3.8	3.1	1.8	0.6	0.6	0.1	0.7	0.0	0.0	0.2	0.2	0.2	:	:	:	:	2.0		
I	14.7	10.8	9.2	5.8	4.8	1.4	1.2	1.0	1.7	1.2	0.8	0.3	0.2	0.5	0.5	0.4	0.3	:	:	:	5.1	
L	8.7	6.5	4.1	0.3	-0.1	0.2	-0.3	0.1	0.4	0.4	0.0	0.2	0.2	0.1	0.1	0.2	0.0	:	:	:	1.0	
NL	2.7	3.2	2.3	0.3	-0.2	-1.3	0.6	0.2	0.8	-0.8	0.5	-0.1	-0.2	-0.9	0.2	0.4	(0.3)	:	:	:	(0.7)	
P	25.1	28.9	19.6	11.8	9.3	3.8	1.7	1.0	2.5	3.1	1.2	0.4	1.4	0.8	1.4	0.7	0.3	:	:	:	7.9	
UK	4.6	5.0	6.1	3.4	4.1	1.2	1.5	0.2	1.1	0.5	0.5	0.5	-0.1	0.0	0.4	0.4	1.6	:	:	:	3.9	
EUR 12	8.6	7.4	6.1	3.6	2.9	0.9	0.8	0.3	0.7	0.6	0.4	0.1	0.1	0.2	0.3	(0.4)	(0.5)	:	:	:	(2.7)	
USA	3.2	4.3	3.6	1.9	3.7	1.1	1.3	1.1	0.9	0.6	0.3	0.1	0.0	0.3	0.3	0.4	0.5	:	:	:	3.9	
JAP	1.8	2.4	2.0	0.7	0.0	-0.6	1.3	-0.2	0.2	-0.5	0.0	-0.5	-0.1	-0.3	-0.2	0.4	(0.5)	:	:	:	0.3	

TABLE A.4: Visible trade balance — fob/cif, million ECU (s.a.)

	1987					1988				1987				1988			Change over 12 months (c)	
	1983	1984	1985	1986	1987	I	II	III	IV	I	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.		Mars
B/L	-2435	-4897	-3514	146	-580	-108	414	-150	-510	:	-124	-272	-89	-149	:	:	:	-232
DK	-740	-1108	-1538	-1714	96	72	61	65	5	:	80	58	-50	-3	:	:	:	46
D	18501	24136	32986	53044	56960	14373	13818	14132	14738	:	5189	4175	4979	5584	(4951)	(4152)	:	(-1073)
GR	-5800	-6048	-7266	-5809	:	-1661	-1339	-1169	:	:	-470	-584	-418	:	:	:	:	91
E	:	-4711	-5582	-6306	-8749	-2013	-2139	-2324	-2431	-2350	-762	-1198	-700	-533	-736	-684	-931	-32
F	-15628	-13130	-13428	-9699	-12473	-2588	-3567	-3095	-3232	(-1745)	-1299	-1321	-911	-999	-252	(-974)	(-520)	(633)
IRL	-621	81	430	983	2047	338	511	517	670	(640)	168	232	246	192	272	245	(123)	(74)
I	-8516	-13849	-16130	-2459	-7427	-1117	-2360	-1643	-1830	:	-889	-930	-225	-675	(-783)	(-370)	:	(251)
NL	4499	4740	3874	4161	1088	-470	140	289	664	:	147	430	163	71	:	:	:	157
P	:	-3467	-2735	-1297	-2955	-741	-810	-764	-705	:	-251	-285	-234	-186	-195	:	:	-10
UK	-9681	-14005	-11540	-19868	-20890	-3705	-4911	-5714	-6618	-8688	-1613	-1976	-2303	-2340	-3015	-3123	-2550	-1203
EUR 12 (j)	:	-32258	-24444	11161	-87	2833	-618	-1204	-1096	:	-81	-1994	(187)	(611)	:	:	:	(-1710)
USA (k)	-77911	-154992	-194856	-169039	-148746	-34862	-37149	-41003	-35732	:	-12296	-15307	-10769	-9656	-9949	-11364	:	1349
JAP	23072	42599	60497	84010	69636	21512	16544	16184	15396	16863	5393	5766	4287	5343	6228	5325	5310	-81

TABLE A.6: Short-term interest rates (n)

	1983	1984	1985	1986	1987	1987				1988				1988				Change over 12 months % (e)
						I	II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	
B	10.5	11.5	9.5	8.0	7.0	7.4	6.8	6.7	6.8	6.1	7.2	6.9	6.8	6.4	6.2	6.1	6.1	-1.2
DK	12.0	11.5	10.0	9.1	9.9	10.7	9.6	9.4	9.3	8.7	9.5	9.3	9.3	8.9	8.6	8.7	8.9	-1.1
D	5.8	6.0	5.4	4.6	4.0	4.0	3.8	4.0	3.5	3.4	4.1	3.7	3.5	3.3	3.3	3.4	3.4	-0.5
GR	16.6	15.7	17.0	19.8	15.8	23.3	13.9	19.5	14.1	18.5	17.1	15.0	14.1	16.7	11.5	18.5	:	-4.8
E	20.0	14.9	12.2	11.7	15.8	16.2	17.8	17.0	13.1	10.7	14.5	14.6	13.1	12.4	11.8	10.7	11.4	-9.3
F	12.5	11.7	9.9	7.7	8.2	7.9	8.2	8.0	8.6	8.3	8.3	8.7	8.6	8.1	7.5	8.3	8.1	0.0
IRL	14.0	13.2	12.0	12.4	11.0	13.3	10.4	9.2	8.8	8.3	9.2	9.2	8.8	8.6	8.9	8.3	8.1	-2.6
I	18.3	17.3	15.0	12.8	11.4	10.6	11.3	12.8	11.5	11.1	12.0	11.6	11.5	10.8	11.1	11.1	10.5	0.2
NL	5.7	6.1	6.3	5.7	5.4	5.5	5.2	5.6	4.6	4.0	5.2	4.7	4.6	4.1	4.0	4.0	4.1	-1.1
P	20.9	22.5	21.0	15.6	13.9	13.2	15.0	14.8	14.0	13.0	13.8	13.9	14.0	13.9	13.1	13.0	:	-0.2
UK	10.1	10.0	12.2	10.9	9.7	9.9	9.2	10.3	8.9	8.6	9.4	8.9	8.9	8.7	9.4	8.6	8.5	-0.7
EUR 12 (o)	12.0	11.2	10.4	9.0	8.8	8.8	8.8	9.2	8.3	7.9	8.8	8.5	8.3	7.9	7.8	7.9	7.8	-1.1
USA	8.7	9.4	7.5	6.0	5.9	5.8	6.0	6.8	5.9	5.9	5.4	5.5	5.9	5.8	5.8	5.9	6.1	0.4
JAP	6.5	6.3	6.5	5.0	3.9	4.0	3.7	3.9	3.9	3.9	4.0	3.9	3.9	3.9	3.8	3.9	3.9	-0.1

TABLE A.7: Long-term interest rates (p)

	1983	1984	1985	1986	1987	1987				1988				1988				Change over 12 months % (e)
						I	II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	
B	11.8	12.0	10.6	7.9	7.8	7.6	7.8	8.3	8.0	7.7	8.3	8.0	8.0	7.6	7.4	7.7	7.6	0.0
DK	14.4	14.0	11.6	10.5	11.9	12.1	11.6	12.3	11.7	11.1	12.7	11.9	11.7	11.0	10.8	11.1	11.5	-0.4
D	7.9	7.8	6.9	5.9	5.8	5.6	5.6	6.2	6.0	5.7	6.5	6.0	6.0	6.0	5.8	5.7	5.8	0.3
GR	18.2	18.5	15.8	15.8	17.3	17.5	16.2	17.1	19.1	19.1	17.4	0.0	19.1	20.5	21.7	19.1	:	1.6
E	16.9	16.5	13.4	11.4	12.8	11.0	13.2	14.3	13.1	11.8	14.2	13.4	13.1	12.5	11.9	11.8	11.3	-0.7
F	13.6	12.5	10.9	8.4	9.4	8.5	9.4	10.5	10.0	9.4	10.0	9.9	10.0	9.5	9.1	9.4	9.3	0.6
IRL	13.9	14.6	12.7	11.1	11.3	11.2	10.9	11.3	10.5	10.1	11.1	10.2	10.5	10.6	10.4	10.1	9.7	-0.7
I	18.0	15.0	14.3	11.7	11.3	10.2	11.1	12.3	12.5	12.1	12.4	12.7	12.5	12.0	12.1	12.1	12.1	1.7
L	9.8	10.3	9.5	8.7	8.0	8.2	8.2	8.1	7.0	7.7	8.0	7.5	7.0	7.5	7.8	7.7	:	-0.5
NL	8.8	8.6	7.3	6.4	6.4	6.2	6.3	6.8	6.3	6.0	7.0	6.4	6.3	6.3	6.1	6.0	6.0	-0.1
P	30.4	32.5	25.4	17.9	15.4	15.4	15.4	15.9	15.2	14.2	15.8	15.7	15.2	15.0	14.4	14.2	:	-1.2
UK	10.8	10.7	10.6	9.8	9.5	9.1	9.1	10.0	9.5	9.0	9.3	9.3	9.5	9.3	9.2	9.0	9.2	0.3
EUR 12 (o)	12.7	11.8	10.9	9.2	9.4	8.7	9.2	10.1	9.8	9.3	10.0	9.8	9.8	9.5	9.3	9.3	9.3	0.5
USA	10.8	12.0	10.8	8.1	8.7	7.6	8.6	9.6	9.1	8.6	9.5	9.0	9.1	8.8	8.4	8.6	8.9	0.4
JAP	7.8	7.3	6.5	5.2	5.0	4.4	4.6	7.0	5.1	4.4	5.4	5.2	5.1	4.2	4.3	4.4	:	0.0

TABLE A.8: Value of ECU = ... units of national currency or SDR

	1983	1984	1985	1986	1987	1987				1988				1988				Change over 12 months % (b)
						I	II	III	IV	I	Nov.	Dec.	Jan.	Feb.	March	April	May	
BFR/LFR	45.43	45.44	44.91	43.80	43.04	42.86	43.04	43.07	43.19	43.23	43.17	43.18	43.18	43.20	43.32	43.44	43.44	0.9
DKR	8.13	8.15	8.02	7.94	7.88	7.81	7.82	7.94	7.96	7.92	7.96	7.96	7.93	7.90	7.93	7.97	7.97	2.0
DM	2.27	2.24	2.23	2.13	2.07	2.07	2.08	2.08	2.07	2.07	2.06	2.06	2.07	2.07	2.07	2.08	2.08	0.2
DR	78.1	88.4	104.8	137.4	156.1	151.1	154.4	157.4	161.9	165.2	162.3	163.5	164.6	165.0	165.8	166.3	166.7	7.7
PTA	127.4	126.5	129.0	137.5	142.2	145.0	145.0	140.5	138.4	139.4	138.8	139.8	140.2	139.3	138.8	137.5	137.6	-5.4
FF	6.77	6.87	6.80	6.80	6.93	6.89	6.93	6.92	6.98	6.92	7.01	7.00	6.97	6.98	7.03	7.05	7.04	1.5
IRL	0.715	0.726	0.715	0.733	0.775	0.775	0.776	0.775	0.776	0.776	0.776	0.776	0.777	0.776	0.775	0.777	0.778	0.3
LIT	1349	1381	1447	1462	1495	1469	1494	1502	1514	1524	1520	1521	1519	1521	1532	1542	1546	3.1
HFL	2.54	2.52	2.51	2.40	2.33	2.33	2.34	2.34	2.33	2.32	2.32	2.32	2.32	2.32	2.33	2.33	2.33	-0.4
ESC	98.2	115.6	130.0	146.9	162.5	159.4	161.4	162.8	166.6	169.1	166.9	168.5	168.8	168.8	169.5	169.7	169.8	5.1
UKL	0.587	0.591	0.589	0.670	0.705	0.730	0.700	0.698	0.692	0.687	0.691	0.691	0.694	0.693	0.674	0.661	0.657	-5.6
USD	0.890	0.788	0.759	0.983	1.154	1.124	1.150	1.128	1.213	1.234	1.227	1.264	1.250	1.217	1.234	1.241	1.228	5.7
YEN	211.3	187.0	180.4	165.0	166.5	172.2	164.0	165.8	164.3	157.9	166.0	162.0	159.4	157.2	156.9	155.1	153.2	-6.1
DTS	0.833	0.767	0.749	0.838	0.892	0.842	0.859	0.895	0.889	0.902	0.887	0.889	0.909	0.914	0.900	0.898	0.893	0.2

TABLE A.9: Effective exchange rates: export aspect (q) — Percentage change on preceding period

	1983	1984	1985	1986	1987	1987				1988				1988				Change over 12 months % (b)
						I	II	III	IV	I	Nov.	Dec.	Jan.	Feb.	March	April	May	
B/L	-2.8	-2.2	0.9	5.5	4.1	2.4	-0.6	-0.3	0.6	-0.2	1.1	0.2	-0.3	-0.5	-0.1	-0.3	-0.2	-0.8
DK	-0.6	-3.7	1.2	6.3	4.2	2.5	-0.6	-1.9	1.1	0.3	1.6	0.5	-0.1	-0.3	-0.4	-0.8	-0.4	-2.2
D	4.0	-1.6	0.3	10.7	6.9	3.0	-0.7	-0.3	1.8	-0.1	2.2	0.3	-0.5	-0.7	0.0	-0.4	-0.5	0.1
GR	-18.1	-14.4	-15.9	-21.3	-9.9	-3.5	-2.2	-2.2	-1.8	-2.1	-0.4	-0.5	-1.0	-0.8	-0.3	-0.3	-0.5	-7.0
E	-17.2	-2.4	-2.3	-1.5	0.2	-1.7	-0.1	2.9	3.0	-0.8	-0.2	-0.4	-0.7	0.1	0.6	0.9	-0.4	6.3
F	-7.1	-4.8	1.1	4.5	1.1	0.9	-0.8	-0.2	0.3	-0.3	0.2	0.5	0.0	-0.7	-0.6	-0.4	-0.2	-1.5
IRL	-4.1	-4.2	1.2	3.7	-2.1	0.4	-0.9	-0.3	1.0	-0.2	1.0	0.3	-0.4	-0.4	-0.1	-0.6	-0.5	-1.0
I	-3.8	-5.9	-5.2	3.7	1.1	0.1	-2.0	-0.9	0.5	-0.8	0.1	0.3	-0.3	-0.8	-0.5	-0.8	-0.6	-2.9
NL	2.0	-1.6	0.3	7.7	5.1	2.1	-0.4	0.0	1.3	0.1	1.5	0.2	-0.2	-0.4	-0.2	-0.2	-0.3	0.5
P	-21.1	-17.4	-11.5	-7.8	-7.1	-1.9	-1.5	-1.3	-1.4	-1.5	-0.4	-0.6	-0.5	-0.5	-0.4	-0.3	-0.3	-5.1
UK	-7.0	-4.7	-0.2	-7.3	-1.0	2.1	4.4	-0.1	2.8	0.7	2.3	0.5	-0.9	-0.7	3.2	2.0	0.2	6.7
EUR 12	-8.5	-9.3	-1.9	9.6	7.0	4.2	-0.5	-0.6	3.3	-0.5	3.2	0.6	-1.1	-1.7	0.7	-0.1	-0.9	0.7
USA	5.7	7.8	4.1	19.1	-12.1	-5.8	-3.4	1.6	-5.8	-2.9	-4.4	-3.0	0.1	1.5	-1.6	-1.1	0.4	-7.6
JAP	10.9	5.8	3.0	27.2	8.2	1.0	5.9	-2.2	5.1	4.8	3.2	4.0	0.9	-0.2	0.8	1.2	0.5	8.8

Sources: For Community countries: Eurostat, unless otherwise specified; for the USA and Japan: national sources.

(a) National sources, except for the Community, Denmark, Ireland, Belgium and Luxembourg. Because of differences in methods of seasonal adjustment, the change in the EUR index, adjusted by Eurostat and given in Table 1 may differ from the change in the EUR index obtained by aggregating national indices. Data are adjusted for working days. They do not include building.

(b) % change over 12 months on the basis of the non-adjusted nominal series of the most recent figure given.

(c) Change on corresponding month in previous year; seasonally adjusted.

(d) Change over 12 months in seasonally adjusted figures of the most recent figure given for each country.

(e) Difference in relation to the same month of the previous year.

(f) Number of registered unemployed according to national legislation. Annual average, quarterly average and end of month.

(g) Changes in the coverage of these series occurred in 1984 for the Netherlands and in 1985 for Belgium.

(h) As % of total labour force.

(i) Monthly series calculated by linear interpolation.

(j) The seasonally adjusted position for EUR 12 is obtained by seasonal adjustment of the sum of gross figures for the various countries' exports and imports.

(k) Unadjusted figures.

(l) National sources for Belgium, Denmark, Germany, Spain, France, Portugal and the United Kingdom; seasonal adjustment by Eurostat for Greece, Ireland, Italy and the Netherlands.

(m) Average of monthly changes, seasonally adjusted, weighted by GDP at 1980 prices and purchasing power parities. The monthly change in Belgium is obtained by linear interpolation of quarterly data.

(n) National sources; three-month interbank rate except: Belgium: yield on issue of four-month *Fonds des Rentes* certificates; Denmark: daily money market rate (monthly average); Portugal, 6 month deposits; from 8/85, 3 month Treasury Bills. Annual average, end quarter and end month.

(o) Average weighted by GDP at 1980 prices and purchasing power parities.

(p) Yield on public sector bonds. Annual average. Average for the last month of quarter and monthly average for Germany, Spain,

Principal economic policy measures — May 1988

Community (EUR 12)

None.

Belgium (B)

None.

Denmark (DK)

10.5 General elections resulted in a new minority government based upon the conservatives, the liberals and the radical party.

Federal Republic of Germany (D)

None.

Greece (GR)

6.5 Under a decision of the Minister for Economic Affairs, the maximum public sector wage indexation rate is set at 1.5 %. This rate is based on an inflation forecast of 0.5 % which corresponds to the difference between the inflation rate recorded in the first four-month period and the rate forecast under the indexation arrangements.

9.5 The Government announces increases of between 6 % and 15 % in the charges of the principal public enterprises. The new prices are applicable from 1 June and will remain unchanged for one year. The authorities consider that these increases will have a total inflationary impact of 0.5 %.

Spain (E)

4.5 The Government decides to bring forward by two years the plan to upgrade and extend the road and motorway network. All the contracts will now be finalized before the end of 1989.

13.5 The Council of Ministers decides to reduce fuel prices by 5 % on average.

17.5 A ministerial decree, authorizing enterprises to keep foreign exchange of up to 25 % of their sales as long as it is used in foreign transactions, is adopted. The decree also eliminates administrative checks of exports and reduces foreign exchange risks.

24.5 The Bank of Spain reduces the interest rate on loans to financial institutions by half a point to 10.5 %.

France (F)

25.5 The 'temporary' increases in the employee contribution to the old age pension scheme (0.2 of a percentage point) and to the sickness fund (0.4 of a point), which were due to expire on 30 June, are extended indefinitely. The 1 % levy on income from capital is also to be retained from August.

26.5 The Ministry for Economic Affairs and Finance announces that the rate for tenders is to be reduced from 7.25 % to 7 % and the rate for seven-day sale and repurchase agreements is to be cut from 7.75 % to 7.5 %. At the same time, the compulsory reserve requirements are to be tightened. The rate for reserves on bank book accounts goes up from 1 % to 2.5 % and the rate applicable to time deposits and to negotiable debt instruments (included in M3-M2) from 2 % to 2.5 %.

30.5 Premium grade petrol goes up by almost 6 centimes a litre, ordinary petrol by 5.3 centimes and gas oil by 2.8 centimes, because of this year's exceptional two-stage increase in the domestic duty on petroleum products, the first increase having been imposed on 15 February. The price of domestic fuel oil goes up by FF 0.74 a hectolitre on the same date.

Ireland (IRL)

None.

Italy (I)

31.5 The Government forwards to Parliament the plan for the medium term stabilization of public finances which aims to stabilize the public debt as a percentage of GDP by 1992. Compared with the spontaneous trend, the proposed measures aim to increase receipts by 1.8 % of GDP (1.1 % from direct taxes and 0.7 % from indirect taxes), and to reduce expenditure by 1.5 % of GDP. The total tax take for the next four years will be LIT 45 000 000 million. The interest rate burden is also expected to fall by 2.5 % of GDP. According to the draft forwarded to Parliament, the sector most concerned by the plan would be the social security fund, which is to be gradually reformed. In particular, the retirement age will be set at 65 years for men and 60 years for women; the minimum number of contribution years will be raised from 15 to 20 years; it will no longer be possible to combine an old age pension with earned income; the calculation of pension rights will be based on a ten-year period (instead of five years as at present); the number of overtime hours taken into account in order to calculate the pension will be reduced. The health system will be reformed: the insured person's contribution to the cost of tests will be reintroduced; a system of indirect assistance for persons with high incomes will be created; drugs will have to be prepared in 'therapeutic', i.e. small doses. The railways and the post office, both of which are heavily in deficit, will be restructured. Local authorities will be granted a certain amount of autonomy in the imposition of taxes. A programme will be implemented to increase productivity in public departments. Lastly, the State is to sell shares valued at between LIT 9 000 000 million and LIT 15 000 000 million.

Luxembourg (L)

29.4 The Government and the public service trade unions conclude an agreement providing for a 3.5 % increase in civil service wages over two years with effect from 1 January 1988. This decision will cost the State an additional LFR 1 300 million.

Netherlands (NL)

None.

Portugal (P)

5.5 The Government decides to lower key interest rates: the maximum rate on bank loans is cut from 18 % to 17 %, while the return on six- to twelve-month time deposits is cut from 13.5 % to 13.0 %.

12.5 The Government decides that three large public enterprises, in very serious financial difficulties, should be relieved of up to ESC 170 000 million (1 000 million ECU) of their debts. The State will take over the servicing of these debts.

19.5 The Government decides to increase the book value of the Bank of Portugal's gold reserves; they will be valued at USD 323 per troy ounce, instead of the previous USD 255. In exchange, the Treasury debt to the Bank is reduced by ESC 135 000 million and the rest will be paid to a reserve fund at the bank.

19.5 The Government presents Parliament with a bill to reform the direct taxation system. The various existing fragmentary taxes are replaced by a single tax on individuals and companies. The proposed rate of company taxation is 36.5 %. The single tax on individuals, with marginal rates ranging from 16 % to 45 %, will reduce the tax burden on earned income but, because the tax base will be wider, tax revenue could actually increase.

United Kingdom (UK)

17.5 The authorities prompt a 1/2 % cut in bank base interest rates to 7 1/2 %, the third such cut in two months bringing base rates to their lowest level since 1978.

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